**DIRECT TESTIMONY OF**

**ROSE M. JACKSON**

**ON BEHALF OF**

**DOMINION ENERGY SOUTH CAROLINA, INC.**

**DOCKET NO. 2021-2-E**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Rose M. Jackson, and my business address is 220 Operation Way, Cayce, South Carolina.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

A. I am employed by Dominion Energy Services, Inc. ("DES") as Director of Gas Supply Services. I am responsible for managing the Gas Supply Department ("Department"), which provides gas supply and capacity management services to Dominion Energy South Carolina, Inc. ("DESC" or the "Company") and its affiliate, Public Service Company of North Carolina, Incorporated, d/b/a Dominion Energy North Carolina.

**Q. PLEASE DESCRIBE YOUR DUTIES RELATED TO NATURAL GAS PROCUREMENT FOR ELECTRIC GENERATION IN YOUR CURRENT POSITION.**

A. During the review period of January 1, 2020, through December 31, 2020 ("Review Period"), I was responsible for managing the department that provides natural gas procurement services for the generating facilities operated by DESC. These responsibilities include procurement of natural gas supply and capacity; nominations and scheduling; gas accounting; and state and federal regulatory issues related to supply, capacity, and asset management.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS BACKGROUND**.

A. I graduated from the University of South Carolina in 1988 with a Bachelor of Science degree in Accounting. Following graduation, I worked for approximately three years as an accountant for a national security services firm. In 1992, I began my employment with SCANA Corporation ("SCANA") as an accountant working directly for SCANA Energy Marketing, Inc. Over the years, I have held varying positions of increasing responsibility including Energy Services Coordinator, where I was responsible for scheduling gas for the Atlanta Gas Light System; project manager for the implementation of an automated gas management system; and Manager of Operations. In May 2002, I became Manager of Operations and Gas Accounting with SCANA Services, now DES, where I was responsible for gas scheduling on interstate pipelines and gas accounting for all SCANA subsidiaries. In November 2003, I became Fuels Planning Manager for SCANA Services, where I assisted all SCANA subsidiaries with strategic planning and special projects associated with natural gas. I held this position until promoted to General Manager – Supply and Asset Management in December 2005. On January 1, 2021, I became the Director of Gas Supply Services for DES.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

A. Yes, I have testified before this Commission on several occasions.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my direct testimony is to provide information about the natural gas purchasing process for DESC generation and to discuss natural gas prices for the Review Period and the outlook for natural gas prices in the near term.

## NATURAL GAS PURCHASING

**Q. PLEASE DESCRIBE HOW YOUR DEPARTMENT MAKES NATURAL GAS PURCHASING DECISIONS.**

A. Natural gas purchases made by the Department are driven by the needs of the electric generation group. My Department provides DESC's Economic Resource Commitment Group ("ERC") with current market information that they use in resource commitment modeling for the Company's electric generation plants. ERC requests natural gas price quotes and market information from my Department daily. ERC uses current natural gas prices as one input into its dispatch modeling to determine the most economical means of reliably meeting the electricity needs of customers.

Actual natural gas purchasing decisions are driven by the unit commitment decisions made by ERC. After ERC determines that natural gas is the economical choice for providing reliable power to our customers, my Department is directed to purchase natural gas supplies for delivery with a stated term and volume at the best available current market prices at that time.

**Q. PLEASE DESCRIBE YOUR NATURAL GAS SUPPLY CONTRACTS.**

A. We have industry standard contracts with more than 60 suppliers that have proven to be creditworthy and reliable. These contracts set forth many of the terms and conditions of delivery. Price and quantity, however, are determined at the time of purchase.

The most common prices quoted for daily natural gas deliveries are the day-ahead gas price. The Gas Daily Average or GDA, for example, is an average of these day-ahead prices, reported on a historical basis the next business day.

The day-ahead natural gas market, however, closes at mid-day of the day before the natural gas is delivered. Because some unit commitment decisions may not be made until the following morning, GDA prices are not available for all supply purchases for electric generation. In these situations, the natural gas we purchase for electric generation is made in the intraday market.

In the last few years, natural gas prices have become more stable and more competitive with coal due to increased domestic shale production. These changes in the market have increased the Company's use of natural gas to fuel its generating facilities, which in turn has resulted in it making term natural gas purchases. DESC has purchased natural gas for terms of one month up to one year.

In summary, natural gas purchases for electric generation as a whole are short-term in nature when compared to purchases of other fuels due to the fungible nature of natural gas and the liquidity of the natural gas market.

**Q. WHAT TOOLS DO YOU USE TO INFORM YOUR NATURAL GAS PURCHASING DECISIONS?**

A. The most important tools used to inform our purchasing decisions are my Department's collective experience in national natural gas markets, careful observation and evaluation of movements in market-based prices, and continual surveys of our suppliers for pricing information. These tools are by far the most important and most accurate in helping to determine market-based prices for natural gas supplies being purchased on the "spot market."

Another tool we use to inform our purchasing decisions is the Intercontinental Exchange ("ICE"), which is a real time electronic trading board. The shortcoming of the ICE service as with other pricing services is that not all trades are reflected in these services. Nevertheless, ICE is one of the most widely used sources of pricing information and provides a reliable indication of current market prices.

My Department also uses the New York Mercantile Exchange ("NYMEX") pricing data as a guide to determine whether to purchase natural gas on a monthly or seasonal basis. NYMEX is a financial market which captures real-time trading data and information about the projected price of natural gas and other commodities for various times in the future. NYMEX, unlike long-term forecasts such as the Energy Information Administration Annual Energy Outlook, allows actual purchases to be made at its prices for up to 12 years in the future.

**Q. WHAT NATURAL GAS TRANSPORTATION CAPACITY DOES DESC HAVE FOR THE GENERATING FACILITIES OPERATED BY DESC?**

A. DESC has long-term capacity contracts with the following interstate pipelines for firm transportation service: 111,050 dekatherms ("Dt") per day on Southern Natural Gas Company; 203,402 Dt per day on Carolina Gas Transmission, LLC ("CGT"); 165,000 Dt per day on Transcontinental Gas Pipeline, LLC ("Transco"); and 61,500 Dt per day with Elba Express Company, LLC.

**Q. HAS THE COMPANY ENTERED INTO ANY OTHER CONTRACTS WITH TRANSCO FOR INCREASED CAPACITY?**

A. Yes. The Company has also entered into a Transportation Agreement with Transco for an additional 125,000 Dt per day of its Southeastern Trail Project ("SET") capacity with a receipt point at the existing Pleasant Valley Transco-Cove Point interconnection in Fairfax County, Virginia, and a delivery point at the existing Transco Station 65 pooling point in St. Helena Parish, Louisiana. DESC's delivery points are in the primary path of the SET project, which allows for firm delivery to those points also. The Company subscribed to this capacity to help meet the daily demands of the Jasper plant and the Columbia Energy Center. The in-service date for the SET capacity was January 1, 2021.

**Q. WERE THERE ANY OTHER CHANGES DURING THE REVIEW PERIOD TO THE NATURAL GAS TRANSPORTATION CAPACITY AVAILABLE FOR THE COMPANY'S GENERATING FACILITIES?**

A. Yes. Effective November 1, 2020, DESC has 18,498 Dts per day less on CGT available for its generating facilities. DESC previously contracted with CGT for 18,498 Dt per day of firm transportation for a 15-year term commencing on December 1, 2015, with the electric generation group and the local distribution company ("LDC") each having first call over portions of the 15-year term. The electric generation group had first call on the capacity from the beginning of the term until November 1, 2020, and the LDC has first call on the capacity from November 1, 2020, until the term ends on November 30, 2030. Should the LDC not need the capacity on a given day, the electric generation group will have a right of first refusal for use of the capacity.

**Q. HAS THE COMPANY SUBSCRIBED TO ANY ADDITIONAL INTERSTATE PIPELINE CAPACITY FOR NATURAL GAS FIRED GENERATION?**

A. Yes. As reported to the Commission in Docket Nos. 2020-2-E and 2019-2-E, DESC has entered into an agreement subscribing to 62,500 Dt per day of capacity for electric generation on the Mountain Valley Pipeline ("MVP") project. This capacity will provide DESC access to the Marcellus natural gas basin which will feed into the SET capacity. The MVP project has experienced a two-year delay related to the originally anticipated in-service date of the project because of ongoing legal challenges associated with permits to cross water bodies and wetlands. However, this capacity is expected to be in service by late 2021.

**Q. HOW HAS THE COMPANY ATTEMPTED TO REDUCE THE COST OF THIS NEW SET CAPACITY?**

A. The Company has entered into two Asset Management Agreements ("AMAs") with suppliers. The AMAs, which comply with Federal Energy Regulatory Commission ("FERC") regulations, allow these suppliers to manage a portion of DESC's SET capacity in exchange for payment of an asset management fee to DESC, which will reduce the cost of the new SET capacity while continuing to maintain firm deliverability.

**Q. HAVE THERE BEEN OTHER CHANGES IN THE COMPANY'S ANTICIPATED CAPACITY SOURCES?**

A. Yes. In July 2020, Atlantic Coast Pipeline, LLC ("ACP") announced it had cancelled its proposed pipeline project "due to ongoing delays and increasing cost uncertainty which threaten the economic viability of the project." The announcement cited court rulings that overturned federal permit authority for waterbody and wetland crossings, along with the risk of new litigation, as reasons for making the project "too uncertain to justify investing more shareholder capital." DESC had not contracted with ACP for capacity in the planned project but had discussed the opportunity for expansion into South Carolina once the initial project was in-service.

The MVP and ACP projects are recent indicators of the changes within the interstate pipeline market. A few years ago, the estimated timeframe for a FERC regulated project from pre-filing to in-service was approximately three years. Currently, the estimated time for a FERC regulated project is seven to ten years if approved at all. During these unprecedented times, it is difficult to estimate when new interstate pipeline capacity may be available and even more difficult to estimate the cost of the project. This uncertainty creates risk to future reliability and results in increased pipeline costs due to increased litigation and project delays.

**Q. DOES DESC MAINTAIN SUFFICIENT NATURAL GAS TRANSPORTATION CAPACITY CONTRACTS FOR ITS CURRENT ELECTRIC GENERATING FACILITY NEEDS?**

A. Yes. Despite these changes in the interstate pipeline market and some of the Company's expected capacity sources, the Company's current capacity contracts are sufficient for its presently existing generation needs. The Company continuously reviews its generation needs on an ongoing basis to determine whether it requires additional natural gas transportation capacity to serve natural gas fired generation facilities. Future contracts for additional natural gas transportation capacity will be subject to the requirements set forth in Commission Order 2018-804 and the Settlement Agreement among Dominion Energy, DESC, and Transco, dated October 24, 2018, in Docket No. 2017-370-E.

**Q. PLEASE DESCRIBE NATURAL GAS PRICES DURING THE CURRENT PERIOD UNDER REVIEW.**

A. Prices in the NYMEX natural gas commodity market began the Review Period at $2.18 per Dt. Warmer than normal winter temperatures in the first quarter resulted in prices decreasing as low as $1.51 by late March. The market increased from this point, reaching the $2.16 area by early May, but could not sustain that level, dropping to the $1.43 area by late June. A combination of increasing electric generation demand as the temperatures climbed along with an active hurricane season which limited Gulf supply, drove prices to its peak at $3.39 in early November. However, actual winter weather was warmer than forecasted, resulting in prices decreasing to the $2.42 area by the end of the Review Period.

During the Review Period, DESC purchased approximately 95,000,000 Dt of natural gas for electric generation at a total cost of approximately $238,000,000 and at an approximate average price of $2.49 per Dt.

The current price forecast for the remainder of 2021 suggests natural gas prices are likely to average below $3.00 per Dt as the winter period comes to a close.

However, short-term price volatility can result from changes in either supply or demand. The fundamental factors of such changes may include, but are not limited to, weather, increases in customer demand, changes in supplies from shale production, changes in storage inventory levels, and/or constraints in pipeline capacity. Energy analysts forecast the commodity price for natural gas to remain below $3.50 per Dt over the next three to five years.

## CONCLUSION

**Q. WHAT REQUEST DOES DESC MAKE OF THE COMMISSION IN THIS PROCEEDING?**

A. During the Review Period, the Department made diligent and prudent efforts to obtain reasonable market-based prices for the reliable supply of natural gas for electric generation and to procure the necessary capacity for the delivery of that supply. Therefore, on behalf of DESC, I respectfully request that the Commission find that the Company's fuel purchasing practices were reasonable and prudent for the Review Period.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes.